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ABSTRACT

This handbook has been prepared to assist new and existing Lutheran high schools. Three major portions of a high school financial system are described: accounting, budgeting, and five-year budget projections. The chart of accounts is described in detail in the accounting section and in the appendices. In order to develop some consistency in the accounting system of all Lutheran high schools, it is hoped that many existing schools will adopt the basic elements of the chart of accounts and report formats outlined in this handbook. It is hoped that all communities starting new Lutheran high schools will adopt this system. Meaningful comparative data is very beneficial to all the high schools as an aid in evaluating their performance. (Author/MLF)

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PLANNING FOR LUTHERAN HIGH SCHOOLS

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Maintaining Fiscal Responsibility

Part One — Accounting

Part Two — Budgeting

Part Three — Five-Year Budget Projection

EA 011 479

Lutheran schools in America are flourishing. This is particularly true of Lutheran secondary schools.

Many Lutheran communities are currently conducting feasibility studies to the end that they too might have a Lutheran high school for their young people. The need for materials to help Lutheran communities conduct feasibility studies and make responsible educational decisions has become quite urgent.

Through the coordinating efforts and generous financial help of the Aid Association of Lutherans, representatives of the education offices and high school associations of the Wisconsin Evangelical Lutheran Synod and The Lutheran Church-Missouri Synod have combined their efforts in the development of the *Planning for Lutheran High Schools* materials.

The *Planning for Lutheran High Schools* resources have been designed to aid Lutheran communities assess the feasibility of a high school for their young people and make plans and responsible decisions for the establishment of a school. Resource materials are also designed to assist existing schools in their ongoing operation. Consultants, experienced in the administration of Lutheran secondary education, are available to help communities use these materials. Arrangements for consultants should be made through the respective synodical education office.

The work of the following educators is herewith gratefully acknowledged: Project Director: Martin Wessler; Consultants: Neal Meitler, Al Senske; Contributors: Edward Bertram, Guenther Herzog, Ray Halm, Carl Kahlfeldt, Robert Krause, Victor Peper, David Rohde, Marlin Schulz, Robert Storm, Robert Voss, Richard Wallace.

These materials are dedicated to the glory of God for the extension of Lutheran secondary education.

MAINTAINING FISCAL RESPONSIBILITY

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PREFACE

Fiscal responsibility is more than a series of statements which speak of high management principles. It is a planned and systematic way of doing business which results in accurate and understandable data and reports. It further implies that this data is presented to decision makers and others who have a right to know what is happening in the high school.

This handbook has been prepared to assist new and existing high schools. It contains information about basic components of the accounting, reporting, and budgeting system. All of the basic elements needed for the accounting system are included. However, we have not attempted to write an accounting textbook. The handbook assumes that a competent bookkeeper or accountant is available to install the accounting system.

This handbook has been prepared specifically for Lutheran high schools. Its contents result from the experience of numerous other high schools throughout the United States. The objective is to present a practical set of accounting tools which can hopefully be used with little modification. Of course, each community must make adaptations which will make the system responsive to their unique needs and circumstances.

In order to develop some consistency in the accounting system of all Lutheran high schools, it is hoped that many existing schools will adopt the basic elements of the chart of accounts and report formats outlined in this handbook. It is hoped that all communities starting new Lutheran high schools will adopt this system. Meaningful comparative data is very beneficial to all of the high schools as an aid in evaluating their performance. As an initial step toward standardization, the format of the Statistical Report provided by your Synod's office has been modified to reflect this new accounting system. Existing high schools should contact Synod's Office of Education if they encounter questions or problems in changing their current system.

This handbook describes three major portions of a high school financial system: accounting, budgeting, and five year budget projections. The chart of accounts is described in detail in the accounting section and in Appendix A and B. Admittedly, the detailed listing of accounts may be of little interest to the casual reader of this handbook. However, the entire chart of accounts should be studied in detail before any attempt is made to prepare operating budgets or set up the accounting system. The other sections of this handbook will be of interest to the casual reader, and should be fully understood by the administrator and anyone else who works with the financial system.

PART ONE — ACCOUNTING

This section contains the information needed to establish the record keeping system. The establishment of good records requires that philosophical questions be answered, policies be developed, and routine accounting systems be established. Some basic management principles should be adopted by the Board which will govern the budgeting program, chart of accounts, and other components of the financial system. Examples of these management principles are presented throughout the text of this report.

Fiscal responsibility reflects positively on all aspects of the school operation. The following is a list of accounting principles which should govern the activities of new or existing schools:

- The accounting system should be completely integrated with the chart of accounts, financial reports, budgets, and long-range projections, all having the same format.
- Financial management should be based on realistic annual budgets and long-range budget projections.
- All budgets should be balanced.
- All accounting should provide for an "audit trail".
- There should be an annual audit.
- Financial reports should be distributed to the Board and to all components of the high school association.

While the financial record keeping system should never become too rigid and demand excessive conformity, it must present enough structure and require enough conformity in reporting to insure that planning and accountability will be a reality. As a general rule, most schools seem to err on the side of too few systems and too little control.

Also be sure that all of your records and reports are consistent with existing state and federal laws. It is advisable to seek legal council on this issue and to ask for advice from personnel in your local public school business office.

A. ACCRUAL ACCOUNTING AND DOUBLE ENTRY BOOKKEEPING

The advantages of accrual accounting are numerous for both new and existing high schools. For example:

- All expenses and income from each budget year are reported in that year
- The net surplus or net loss from operations in the budget year is accurately determined.
- A Balance Sheet can be prepared which reflects the results of previous years and allows for easy identification of the cash position, accounts receivable, accounts payable, accruals, net worth, etc.
- There will be fewer surprises and disappointments because the true cash position of the school is much more visable through the Balance Sheet.
- Financial statements can also be more easily understood by laymen and business leaders.

On the accrual basis of accounting, revenue is regarded as earned in the period in which the services are rendered (regardless of when collected), and expenses are regarded as applicable to the period in which they are incurred (regardless of when paid).

The "matching" of revenue and expense for the purpose of determining net income on an accrual basis often requires the exercise of trained judgement, and not infrequently involves estimates. But it is fundamental that, if the books are to reflect results of operations and the financial position on an accrual basis, adjusting entries must be made for bad debts debts, income received in advance, projected income, prepaid expenses, etc.

Accrual accounting results in the recording of all income in the period in which it was earned, regardless of when it is received. For example, pre-registration fees or receipt of advance tuition requires bookkeeping entries that report the receipt of cash now, but reports the income as part of the next budget year. In the same way, the purchase of supplies in the month of June requires that it be recorded as an expense in the current budget year, although the invoice may not be paid until the next July or August. Only accrual accounting makes it possible to do this consistently and accurately.

The preceding objectives are accomplished through an accounting method known as "double entry bookkeeping". It is a very simple concept and requires little or no additional work in the long run. No attempt will be made in this handbook to explain the double entry system. It is taught in any college level basic accounting course.

The chart of accounts presented in this handbook provides for a double entry system. It is suggested that a local public accounting firm be employed to assist in establishing this part of the accounting program.

A Balance Sheet can be prepared with ease and accuracy when using accrual accounting and the proposed chart of accounts. The Balance Sheet is explained in more detail on pages 15 and 16 of this handbook. Closing entries at the end of each accounting period and at the end of each year make it possible to prepare the Balance Sheet with little additional effort.

B. CHART OF ACCOUNTS

A Chart of Accounts is an organized listing of every category in which we want to record revenue, expense, assets, and liabilities. To insure consistency and thoroughness in the financial record keeping system, the accounts must be carefully structured and defined.

The Chart of Accounts is the foundation on which the accounting system is built. It must be sufficiently detailed to provide for adequate budgeting, reporting and control. Management of a Lutheran high school requires a chart of accounts which aids the administrators in financial planning and accounting for funds.

The Chart of Accounts in this handbook was designed specifically for Lutheran high schools, based on the experience of other Lutheran schools. Account titles, numbers, and descriptions are provided in Appendices A and B of this report because they are too lengthy to be included in the text. The account numbering system can be expanded to include more accounts when necessary and is also adaptable to a computer.

New high schools or small schools may find that all of the proposed account numbers are not needed; in which case, some accounts can be combined. Likewise, large high schools may find it necessary to add accounts. Either situation is acceptable so long as the basic account groupings, such as Administration, Instruction, Plant Operation, etc., to remain unaltered.

1. Principles

The following principles should govern the use of the chart of accounts:

a. Each account should have its own identity, and its use should be limited to that purpose.

b. New accounts should be opened as new purposes are identified. Likewise, existing accounts should be dropped or combined when they are no longer needed.

c. All financial entries should be handled by the chart of accounts.

d. The number of accounts should be kept to an operational minimum.

e. Accounts that have a relationship should remain grouped.

2. Instruction for Use

a. Clarify the use of each account for your own purposes. Document your use plan. (Refer to Appendix B - Chart of Accounts Descriptions).

b. Maintain consistent use during the accounting year.

c. Keep a ledger sheet for each account.

d. Make necessary changes in accounts at the beginning of an accounting period. Try to make very few changes over the years so that valid comparisons can be made between annual reports.

e. Develop simple ways to allocate costs to various accounts. For example, Office Supplies and Class Supplies may both include mimeo paper. Rather than be overly precise, allocate a percentage of each invoice to the two accounts.

3. Types of Accounts

The different types of accounts are listed below under the heading of the financial statement on which they appear.

Income/Expense Statement (Refer to pages 8-12)

"Income Accounts" include student income, congregational income, development (fund raising) income, net receipts from clearing accounts, and miscellaneous revenue.

"Expense Accounts" include administration, instruction, fixed charges, plant operations, capital outlays, debt service, and contingencies.

Clearing Accounts Statement (Refer to page 14)

"Clearing Accounts" are used to account separately for activities which generate income and have related expenses. The "net" income or "net" expenses for these activities will be reported in the budget and financial statements because reporting full costs would distort the cost-per-pupil. Clearing Accounts are established for areas such as: Cafeteria, Bookstore, Grade School Basketball Clinics, Student Transportation, Print Shop, Field Trips, Summer School, Evening Programs, etc. Instructional departments, such as Athletics, Drama, and Music, which also generate income are not included here, but are under Instruction.

Include all accounts where the net difference of receipts and expenditures is the property of the school and where profits from the activity can be used for school operations. This is in contrast to Student Activities Accounts where the fund balance is not the property of the school.

Student Activity Accounts

"Student Activity Accounts" include all areas where the net difference between receipts and expenses for student activities is not the property of the school, but remains the property of a club or group. The purpose of Student Activity Accounts is to provide control over these various areas and to avoid separate checking accounts being established by numerous groups. The school performs a banking function for these groups, receiving and recording income and making and recording disbursements.

Student Activity Accounts are established for: student council, student clubs, Class of 19__, yearbook, newspaper, etc. The net balance in these accounts is reported in the Balance Sheet under Liabilities.

Balance Sheet Statement (Refer to pages 15 and 16)

"Assets Accounts" include cash, accounts receivable, investments, etc.

"Liabilities Accounts" include accounts payable, notes payable, accrued liabilities, designated reserves, etc.

"Equity Accounts" include operating surpluses (or deficits) from prior periods and from the current period.

C. RECORDS AND FORMS

Schools eventually develop many records and forms which are used for communications and control purposes. In this section, comments will be made about several of the basic forms and records which must exist in all high schools. The forms discussed in this report are ledgers, journals, purchase orders, and capital assets records.

1. Ledgers and Journals

A ledger card (or page) should be made for each account number in the chart of accounts. This includes income, expense, and balance sheet accounts. In accounting terms, the ledger is referred to as the book of final entry. Every transaction, or the summary of a group of transactions(from the journal), is recorded on the ledger card. The information on the ledger card should include the following: date, name of vendor, purchase order number, amount of transaction (three columns should be provided for debit, credit, and balance), and check number.

The journal, by contrast, is the book of original entry. More than one journal may be maintained such as the General Cash Receipts Journal, Tuition and Fees Journal, Student Activities Journal, etc. Any area that has a heavy volume of activity, such as Tuition and Fees, may justify the establishment of a separate journal in order to group transactions for ease of bookkeeping. A qualified local accountant should be asked to assist in this area.

One basic principle which should govern all transactions is that "a complete audit trail should exist for all transactions." This means that for every transaction it should be possible to find a copy of the requisition, purchase order, check, invoice and packing slip or other memo of receipt.

Most schools would be well advised to look for a commercial system such as Mc-Bee or other business system which provides for the simultaneous creation of journal entries, receipts, etc. Some of the business forms companies have designed systems specifically for schools. These commercial systems are often better than what can be prepared locally.

2. Purchase Orders

The purchase order is one of the most important communication and control documents in the accounting system. The following page is a sample purchase order from the Lutheran High School Association of Greater Chicago. Questions about the use of this specific document should be directed to their office. In the case of this example, the purchase order also serves as the requisition. In many schools the requisition is a separate document. In this situation, the form serves as a requisition until it is approved, at which time it becomes a purchase order and is processed accordingly.

LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER CHICAGO

PURCHASE ORDER

Date _____ _____

☐ CONFIRMING ORDER ☐ Payment attached

☐ Send invoice to Business Office at address above

TO

Ship to address above.

Attention: _____

Authorized Signature _____

We are a not-for-profit religious organization and are EXEMPT from taxes. Order number must appear on invoices, etc.

DESCRIPTION	QUANTITY	X	UNIT PRICE	=	TOTAL PRICE
Special instructions to vendor:			TOTAL EXPENDITURE AUTHORIZED		$

INSTRUCTIONS:

1. Authorization for a Purchase Order must be obtained before placing order. Mark an "X" for Confirming Order before mailing to avoid duplication if order has been placed by phone.

2. Fill out Purchase Order completely before presenting for Authorized Signature. Amount of Total Expenditure (estimated if necessary) and Account Number to be charged must be approved by person having responsibility for the account.

3. Originator keeps last (goldenrod) copy and sends all other copies to the Business Office or designated administrator. The second copy (white) will be returned to Originator when Purchase Order is issued.

4. Originator initials payment authorization on white copy when goods/services have been received and returns it to Business Office. The pink copy will be returned to Originator with the amount of payment recorded when payment has been authorized.

Instructions to Business Office:

Account Number to be charged _____

Expenditure and Account # Approved by _____
(signature)

BUSINESS OFFICE USE ONLY				
	Payment authorization	3	2	1
	Goods/Services received (initials)			
	Invoice number(s)			
	Payment amount authorized			
	Total authorized – this order			
	Approved by (initials)			

5

The purchase order should be a five part form: (1) vendor, (2) check copy, (3) department copy -- it is returned to the person who is authorized to purchase when the P.O. has been approved, (4) numerical file copy -- P.O.'s should be sequentially numbered, and (5) department file.

Two copies of checks should be made. The original is sent to the vendor and the second copy is attached to the purchase order and invoice.

It may be necessary to maintain several files: (1) file of P.O.'s awaiting receipt of the invoice, and (2) P.O.'s with invoice waiting receipt of merchandise.

The preceding suggestions are not intended to present a complete outline for internal forms, files, and controls. However, the suggestions are presented so that some basic internal cross-checks and controls can be established.

3. Capital Assets Records

Records of capital assets are very important for purposes of insurability and for maintaining control and accountability of these assets. In a new school, these records should be established during the first year of operation. Existing schools which do not have these records may find it advisable to employ an independent appraisal company. The records should reflect the replacement value, depreciated value, and percent depreciated. The purchase orders can be an effective way of identifying items which should be added to the capital assets records each year. When you seek insurance for these assets, the insurance company will specify what kinds of records are needed.

The value of capital assets such as land and buildings, do not necessarily have to be included in the financial statements. Most high schools don't include them because depreciation expense is not needed, since income tax is not a consideration. However, they can be included in the Balance Sheet if a school wishes to do so. In general, it is not recommended that schools include the value of land and buildings in the Balance Sheet unless there is a locally compelling reason to do so.

D. FINANCIAL STATEMENTS

Financial statements are one of the primary tools used to monitor progress and control the high school operation.

1. Principles

The following principles should govern the development and use of financial statements:

a. The format should remain simple and easy to read.

b. The format should provide information in the form needed by decision makers.

c. The format in financial statements should be the same as the Chart of Accounts and as the budget.

d. Net income and net expenses should be reported so that an accurate cost-per-pupil is reflected.

Reporting only the net income or net cost of programs such as athletics, bookstore, etc. will avoid misunderstandings about their actual cost. Computing the cost-per-pupil with net figures rather than gross expenditures is important because the tuition rate is often based on this figure.

2. Encumbered Funds

When a purchase order is written by a department and sent to a vendor, some of the budgeted funds for the department are committed to pay for the merchandise when it is received. Because many purchase orders may be outstanding at any one time, it is important to know how much of the remaining budget is already committed to be spent. In order to avoid overspending, the accounting system must provide a means for "encumber-

ing" funds. In other words, the expense is recorded in the period in which the purchase order was sent, not when the invoice is paid.

3. Income/Expense Statement

The purpose of this financial statement is to show the results of the current period of operation.

The monthly statement of income and expense should contain the following columns of information:

Amount Budgeted	Current Month Expenses/or/ Receipts	Year-to-date Expenses/or/ Receipts	Encumbered Amount	Available Balance

The sample Income/Expense Statement on the following pages does not contain all of these column headings. Its format more closely resembles the year end statement of operations. Note how the sample statement has been laid out for easy readability. Numerous sub-totals are presented so that the reader can, at a glance, identify various areas of activity.

_____ HIGH SCHOOL
SUMMARY INCOME/EXPENSE STATEMENT
For Period _____, ____ to _____, ___

INCOME		
Net Income From Students	$XXX	
Income From Congregations	XXX	
Development Income	XXX	
Clearing Accounts	XXX	
Miscellaneous Income	XXX	
Government Income	XXX	
Total Net Income		$XXX
EXPENSES		
Administration	$XXX	
Instruction	XXX	
Fixed Charges	XXX	
Plant Operations	XXX	
Capital Outlays	XXX	
Debt Service	XXX	
Contingency	XXX	
Total Expenses		XXX
NET INCOME/(DEFICIT) FOR THIS PERIOD		$XXX

_____ HIGH SCHOOL

INCOME STATEMENT

For Period _____, ____ to _____, _____

		CURRENT YEAR		BUDGET
	INCOME			
	Income from Students			
01100	Tuition		$XXX	
	Fees			
01201	- Registration	$XXX		
01202	-	XXX		
01203	-	XXX	XXX	$XXX
	Income Reductions			
02100	Family Discount		$XXX	
02200	Uncollectable Tuition		XXX	
02300	Student Aid Grants		XXX	
	Total Reductions			XXX
	Net Income From Students			$XXX
	Income from Congregations			
03100	Congregation Support			XXX
	Development Income			
04100	Undesignated Gifts		$XXX	
04200	Designated Gifts		XXX	XXX
	Clearing Accounts (Net)			
05100	Food Service		$XXX	
05200	Bookstore		XXX	
05300	Graduation		XXX	XXX
	Miscellaneous Income			
06100	Rental Income		$XXX	
06200	Interest Income		XXX	
06300	Commissions Income		XXX	XXX
	Government Income			
07100	Subsidy from Government Units			XXX
	NET INCOME			$XXX

_____ HIGH SCHOOL
EXPENSE STATEMENT
For Period _____, ____ to _____, ____

		CURRENT YEAR		BUDGET
	EXPENSES			
	Administration			
10101	Sal.-Administrators	$XXX		
10102	Sal.-Secretarial/Clerical	XXX		
10103	Sal.-Bus. Mgr./Bookkeeper	XXX	$XXX	
10200	Office Supplies		XXX	
10300	Contracted Services		XXX	
10400	Data Processing		XXX	
10500	Travel		XXX	
10600	Printing		XXX	
10700	Postage		XXX	
10900	Dues and Membership		XXX	
11000	P.R. and Promotion		XXX	
	Total Administration			$XXX
	Instruction			
20101	Sal.-Full-Time Teachers	$XXX		
20102	Sal.-Part-Time Teachers	XXX		
20103	Sal.-Substitutes	XXX		
20104	Sal.-Teachers' Aides	XXX		
20110	Increments	XXX	$XXX	
	Instructional Depts.			
22100	Art	$XXX		
	Athletics Income $xxx			
	Athletics Expense xxx			
22300	Athletics (Net)	XXX		
22500	Audio Visual	XXX		
22700	Business	XXX		
	Drama Income $xxx			
	Drama Expense xxx			
22900	Drama (Net)	XXX		
23100	Foreign Language	XXX		
23300	Guidance	XXX		
23500	Home Economics	XXX		
23700	Industrial Arts	XXX		
24100	Library	XXX		
24300	Math	XXX		
	Music Income $xxx			
	Music Expense xxx			
24500	Music (Net)	XXX		
24700	Physical Ed	XXX		
24900	Religion	XXX		
25100	Science	XXX		
25300	Social Studies	XXX	XXX	

	Instruction (continued)			
27010	Classroom Supplies		$XXX	
27020	Faculty Travel, Conv., Inser.		XXX	
27030	Textbooks		XXX	
27040	Duplicating/Printing		XXX	
27050	Staff Relocation		XXX	
27060	Instr. Data Processing		XXX	
	Total Instruction			$XXX
	Fixed Charges			
31000	Employee Retirement		$XXX	
32000	Employee Insurance		XXX	
33000	FICA		XXX	
34001	Auto Ins.		XXX	
34002	Fire and Casualty Insurance		XXX	
34003	Student Insurance		XXX	
35000	Rental of Land & Bldg.		XXX	
36000	Property Tax & Assessment		XXX	
	Total Fixed Charges			$XXX
	Plant Operations			
40101	Sal.-Custodial & Maint.	$XXX		
40102	Sal.-Students	XXX	$XXX	
40200	Contracted Custodial Serv.		XXX	
40300	Contracted Services		XXX	
40401	Heat		XXX	
40402	Water		XXX	
40403	Electricity		XXX	
40404	Telephone		XXX	
40500	Supplies		XXX	
40600	Repairs and Maint.		XXX	
40700	Vehicle-Repair & Maint.		XXX	
	Total Plant Operation			$XXX
	TOTAL OPERATING EXPENSE			$XXX

	Capital Outlays		
50100	Sites	$XXX	
50200	Buildings	XXX	
50300	Equip. (Non-Instr.)	XXX	
50400	Equip. (Instr.)	XXX	
50500	Vehicles	XXX	
	Total Capital Outlays		$XXX
	Debt Service		
60100	Principal	$XXX	
60200	Interest	XXX	
	Total Debt Service		$XXX
65000	Contingency		$XXX
	TOTAL OPERATING AND NON-OPERATING EXPENSE		$XXX

4. Clearing Accounts Statement

The Clearing Accounts Statement is supplemental information which presents a clear picture of the income, expense, and net surplus (or deficit) in each clearing account. The sample statement on the next page includes only Food Service and Bookstore. Any additional clearing accounts maintained by the school should be included on this statement.

The net balance in each clearing account is transferred to the income page of the Income/Expense Statement. (Refer to page 9).

_____ HIGH SCHOOL
CLEARING ACCOUNTS STATEMENT
For Period _____, ____ to _____, ____

	FOOD SERVICE		
	Income		
70101	Milk Sale Income	$XXX	
70102	Food Sale Income	XXX	
70103	Subsidy - Gov. Milk	XXX	
70104	Subsidy - Gov. Lunch	XXX	
70105	Cafeteria - Special Functions	XXX	
	Subtotal		$XXX
	Expenses		
70150	Food Purchases	$XXX	
70151	Milk Purchases	XXX	
70152	Non-Food Supplies	XXX	
70153	Repairs and Maintenance	XXX	
70154	Capital Purchases	XXX	
70155	Salaries	XXX	
	Subtotal		XXX
	Net Food Service (To Inc./Exp. Statement)		$XXX
	BOOKSTORE		
	Income		
70201	Bookstore Sales	$XXX	
70202	Wood Sales	XXX	
70203	Art Sales	XXX	
	Subtotal		$XXX
	Expenses		
70250	Bookstore Purchases	$XXX	
70251	Wood Purchases	XXX	
70253	Art Purchases	XXX	
70254	Salaries	XXX	
	Subtotal		XXX
	Net Bookstore (To Inc./Exp. Statement)		$XXX

5. The Balance Sheet

One of the major purposes of accounting is to provide information required for the preparation of a statement showing the financial position of a high school on a stated date. This statement, called a Balance Sheet, shows the assets of the school, its liabilities, and its financial reserves.

Assets - assets are things of value owned, cash, accounts receivable, inventory, land, buildings, etc.

Liabilities - liabilities are debts; they are amounts owed to creditors. Accounts payable, mortgages payable, wages payable, and taxes payable are some of the liabilities that may be owed by a high school.

Reserves - the excess of assets over liabilities of the high school are the reserves. Reserves are usually accumulated as a result of profitable operations in the current period of prior accounting periods.

Because Lutheran high schools are not subject to tax and federal regulations, we have the option of excluding capital assets such as land and buildings from the Balance Sheet. If these items are included, it is also necessary to provide depreciation accounts. If included, competent financial assistance from a public accounting firm is recommended in establishing the value of these assets and appropriate depreciation schedules. The Balance Sheet and Chart of Accounts provided in this handbook do not include capital assets due to the complexity involved in accounting for them.

_____ HIGH SCHOOL

BALANCE SHEET

Dated _____, _____

	ASSETS		
90100	Cash in Bank		$XXX
90200	Petty Cash		XXX
90300	Investments (short term)		XXX
90401	Accounts Receivable - Students, Current Year		XXX
90402	Accounts Receivable - Parishes, Current Year		XXX
90403	Accounts Receivable - Students, Prior Years		XXX
90404	Accounts Receivable - Parishes, Prior Years		XXX
	Inventories		
90701	Bookstore	$XXX	
90702	Food Service	XXX	
90703	_____	XXX	XXX
90800	Prepaid Expenses		XXX
	TOTAL ASSETS		$XXX
	LIABILITIES		
95000	Accounts Payable		$XXX
	Payroll Deductions Payable		
95101	FICA Payable	$XXX	
95102	Federal Tax Deductions Payable	XXX	
95103	State Tax Deductions Payable	XXX	
95104	Accident Insurance Deductions Payable	XXX	
95105	Welfare Deductions Payable	XXX	XXX
95200	Receipts for Transmittal		XXX
95300	Advance Tuition		XXX
95400	Notes Payable		XXX
95500	Student Activity Funds Balance		XXX
	Accrued Liabilities		
95601	Wages	$XXX	
95602	_____	XXX	XXX
	Designated Reserve Funds		
95701	_____	$XXX	
95702	_____	XXX	XXX
	TOTAL LIABILITIES		$XXX
	EQUITY		
97000	Operating Surplus, Prior Years		$XXX
97100	Operating Surplus, Current Year		XXX
	TOTAL LIABILITIES AND EQUITY		$XXX

E. WHEN TO USE DATA PROCESSING

There are no hard and firm groundrules concerning the introduction of computerization in a high school accounting system. However, past experience suggests that some guidelines can be provided which will direct a high school in deciding the point at which data processing is economical and practical.

The volume of data to be processed can be one criteria to use in deciding when data processing is advantageous. The following areas will provide some guidance: number of vendors, number of checks written, number of people on the payroll, and number of students.

As a general rule, the school should have a minimum of 450 students before the manual accounting system is replaced. A good manual system can easily handle 500 or 600 students. When a school reaches the level of 800 or more students, a data processing system can be very practical.

There has been a tendency in recent years to computerize some small operations which hardly justify the time and expense involved. Computerization can also result in some lack of control because of the lag time which exists between input and output from the system.

If you are experiencing problems in the accounting system, computerization is not a way to solve these problems. Avoid going onto a computer system until your manual system is working very well. If you have a good manual system, avoid computerization until your school is large enough to warrant it.

PART TWO — BUDGETING

Sound budgeting is necessary to insure that adequate control and evaluation exist in a high school. Without adequate budgets, controls over income and expenditure accounts are difficult, and it will be hard to do consistent financial planning.

Specific functions of the high school budget can be summarized as follows: (a) to project the school program for a specified period of time, (b) to show anticipated reserve and sources of revenue, (c) to show detailed estimates of expenditure, (d) to show amounts of money that need to be raised from various sources, and (e) to provide a plan for the administration of the school.

A. PRINCIPLES OF BUDGETING

1. The Board will approve only a balanced budget for which there is a concrete plan to obtain projected revenue and where expenditures are equal to or less than projected income.

2. All budget figures will be realistic, and no income or expense items will be padded. Rather than pad individual accounts, a contingency fund will be budgeted. Expenditures from the contingency fund will be carefully controlled by the administration.

3. Budget planning will provide for participation by all instructional and non-instructional department heads.

4. Budget format and terminology will be in simple and clear terms, understandable to laymen, pastors, and staff.

5. The budget will be communicated to all involved parties.

6. All projected income items will have a supporting plan to insure that the income is realized.

7. All projected expenses will have supporting written documentation to justify the expenditures.

B. BUDGET STEPS AND GUIDELINES

The following sequential steps will aid in the thorough and orderly preparation and presentation of the annual budget:

STEP 1. Update the five-year budget projection with revised assumptions for:

a. Projected staffing needs.

b. Long-range expansion needs and costs.

c. Major repairs and improvement needs.

d. Anticipated inflation rates.

e. Salary increases in relation to the projected inflation rate.

The five-year projection requires sound assumptions which govern each account. This projection presents a framework for accurate annual budgeting.

STEP 2. Prepare the Annual Budget

The school administrators will assume the responsibility for coordinating the following:

a. Review all expenditure accounts.

1. Begin with a budget form listing by number and name all expenditure accounts.

2. Prepare for each account number a backup sheet on which is listed all detail used to arrive at the expenditure total for that account.

EXAMPLE: Instruction Salaries: List each teacher by name, base salary, experience increments, educational increments, and other increments included in base salary (omit increments budgeted elsewhere in other accounts). Total the salary for each teacher. Total the Instructional Salaries and enter the figure on the master budget sheet.

3. Work with each account number to prepare exact details, obtain bids where needed, refer to catalogues for accurate prices, include shipping costs, and add a percentage figure to account for inflation.

4. Total expenditures can be finalized when the following basic steps have been taken:

a) A salary schedule is prepared and approved.

b) Enrollment projections are available for calculating expenditures for classroom equipment, textbooks, and instructional supplies.

c) Size of facilities and enrollment are established so that cleaning supplies and equipment and paper supplies for washrooms can be determined.

d) Food services, bookstore, and othe. supplementary services should operate at cost or with a small profit. Budgeting for these services should show as net profit. Net loss, if anticipated, should be budgeted as an expense. A decision should be made as to which services will be offered.

e) Decisions affecting capital improvements and repairs must be made. Essential projects should be cost estimated by bid if possible and placed into the budget.

f) Capital debt should be included in the operating budget or accounted for in other funding plans.

b. Review all income accounts.

1. For each income account, record the data used in projecting the budgeted income figure. Show the formulas, calculations, and the exact figures used to project each item.

2. Carefully lay out real expected congregational support. Contact each congregation for a statement of intent. Provide a percentage increase or other data to help in establishing their support level. Congregations should be aware of anticipated needs and urged to gear their support plans to the needs of the school. If a congregation has been delinquent in its commitments, the experience of previous years should provide useful figures for projecting the next year's income.

3. Tuition income is projected initially by the percentage increase resulting from the inflationary effect on the total budget. (The final tuition rates will be determined after the budget has been finalized because tuition rates must reflect total budget needs.)

4. Third source income is to be budgeted by realistic anticipation of funds expected from:

a) Designated gifts (Specific expenditures will be budgeted for these amounts

which will be contingent on receipt of the gift.)

b) Undesignated gifts (These include memorials, legacies, business contributions, etc.)

c) Revenue can and should be budgeted for each of these categories so long as realistic plans exist for securing the income.

5. When all accounts have been assigned anticipated realistic income figures, the income budget is complete.

STEP 3. Establish a Budget Committee

Select a committee of the Board, with administrators also serving on the committee.

STEP 4. Balance the Budget

a. If income totals exceed expenditures, rejoice!

b. If expenditures are in excess of income, some recommendations must be made, such as:

1. Locate ways to cut the budget (review each account).

2. Identify budget items which can be placed on a special project list to be presented to auxiliary groups, student council, or individual donors.

3. Reduce planned salary increases.

4. Adjust the tuition formula to provide for coverage of the projected budget.

5. Secure a commitment from congregations to provide additional funds.

6. Establish a portion of the budget or specific budget items to be covered by a special funding appeal.

STEP 5. Present the proposed budget to the Board of Directors.

Include the salary schedule for approval, prepare tuition rate recommendations for approval, and also submit the total budget to the Board of Directors.

STEP 6. Make revisions in the budget per Board decisions.

STEP 7. Present budget to the high school constituency.

Present only a budget summary to the constituency because they have no need to review numerous details.

C. BUDGET CALENDAR

The budget calendar proposes a schedule for the major items comprising the formation of the annual budget. It also signals processes which are related to the budget and which will be required in a given year to provide necessary decisions and data for budget formation.

PROCESS	MONTHS IN ADVANCE
Update of Five-Year Projection	11 mos.

Prepare a balanced Five-Year Projection update as soon as the fiscal year is closed. Using the data from the year just completed and from previous years, lay out a projection for the next five years. (Refer to Part Three of this document.)

PROCESS	MONTHS IN ADVANCE
Begin Administrative Planning	10 mos.

Using the Five-Year Projection as a guide:

1) Set tentative, but realistic, goals for all income accounts.

2) Set tentative limits for each spending account based on estimated income.

3) Review and project a pupil:teacher ratio and a list of course offerings.

4) Develop tentative salary schedule recommendations.

5) Prepare budget planning forms.

6) Identify the person responsible for budget planning for each spending account.

Initial Meeting with Board Finance Committee — 9 mos.

1) Present the revised Five-Year Projection.

2) Present the tentative data prepared in the previous step.

Distribute Budget Planning Forms — 9 mos.

After assigning an anticipated limit to each budget planning account, distribute planning forms to the person responsible for each account. Announce the due date (eight weeks working time is suggested). Budget figures should come from real sources such as actual bid, catalogue, salesman, etc.

Enrollment Projection Figures — 8 mos.

Begin updating the enrollment projection. This is needed for projecting staff levels, textbooks, equipment, furniture needs, etc.

Determine Course Offerings — 8 mos.

The curriculum committee should be at work determining courses to be offered and projecting the number of needed teaching sections. These figures will be needed to determine salary costs, equipment needs, etc.

Approach Congregations for Quota Planning — 8 mos.

This work should begin early enough to provide time for interaction. Avoid crisis contacts which apply pressure to congregation.

Department Budgets Due — 7 mos.

Budgets for departments are due and expenditures are to be itemized and totaled. Unidentified, general figures are not helpful. Planning and listing specific needs requires care and patience. Those who plan well will find adequate representation in the final budget distribution.

Staff Needs Projection Due — 7 mos.

List projected assignment of teaching staff. Identify areas in which teachers will be needed according to courses offered and the enrollment projection. Determine total staff needs and calculate a projected budget figure.

PROCESS	MONTHS IN ADVANCE
Equipment and Supply Projections Due	7 mos.
Prepare an initial list of equipment needs including desks, tables, and other instructional equipment. (Department budgets should reflect all instructional needs. Departments will need enrollment projections to assist them in planning for instructional supplies. Final needs will be determined when accurate course enrollment estimates are available.)	
Compile Tentative Budget Expenditures	7 mos.
A projected expenditure is needed for each account number. Although changes will still be made in many accounts, total projected expenditures are needed so that the next steps can be taken; secure commitments from congregations, establish tuition rates, and plan third source income.	
Present Tentative Budget to Board Finance Committee	7 mos.
Present a complete budget at this time. Also seek guidance from the Board in establishing plans for generating revenue.	
Congregation Quota Commitments Needed	7 mos.
Congregations should be approached prior to their budget finalization to set their commitment to the high school for the coming year. This figure will affect projected tuition figures and the amount needed from third source funding.	
Establish Tuition Rates	7 mos.
Prepare tuition and fee information prior to the opening of student registrations. Parents will need this information as part of their registration planning.	
Establish Third Source Funding Projection	7 mos.
A strategy for securing third source funds must be prepared at this time.	
Registration of Freshmen	6 mos.
This information will aid in developing a more accurate enrollment figure.	
Preparation of Salary Schedules	6 mos.
As the budget projection is refined, finalize the planning for salaries. This will be the largest single expenditure in the operating budget. List all salary costs, including fixed charges and fringe benefits.	
Major Capital Projects Listed	6 mos.
Building improvements, repairs, construction and other such projects should be kept on an updated annual list. This list will be examined to determine priorities and the selection of those projects which will be planned as part of this budget. This process provides for the maintenance and development of properties over the years.	
Compiling Budget Details	5 mos.
Budgets for all accounts are compiled into the master budget.	

PROCESS	MONTHS IN ADVANCE
Present Budget to Board Finance Committee	4 mos.
Revisions and adjustments can be prepared which balance the budget. Time is available for revision prior to final adoption of the budget.	
Adoption of Budget	2 mos.
The final revised budget is presented for adoption.	
Budget is Announced	1 mo.
Departments are notified of approved budget figures prior to opening of the fiscal year. Detailed approved lists are distributed for each department. These lists are used to control budget expenditures.	
Approval for Ordering is Announced	1 mo.
Announcement is made that requisitions for purchase will be processed. Orders should reflect the cash flow projections to avoid ordering too far in advance or creating a cash flow problem. Spending control is essential and possible with a carefully planned budget.	

The preceding schedule assumes that the fiscal year is July 1 to June 30. High Schools with a different fiscal year may find some adjustments necessary in the proposed schedule.

D. CASH FLOW PROJECTIONS

The purpose of a cash flow projection is to insure that the projected income in each month is sufficient to meet the cash flow or expenditures in that month. Experience shows that there are peaks and valleys in various income and expense accounts. By anticipating these fluctuations, some planning can be done to avoid cash shortages.

When the annual budget has been finalized, the cash flow projection can be prepared. Using a twelve or fourteen column analysis pad, begin by listing each income and expense item from the budget on the left hand side of the page. Head each of the twelve columns with one of the twelve months of the year. Take each budgeted income item and estimate how much of the income will be realized in each month. Similarly, take each expense item and estimate how much of the expense will be incurred in each month.

A total of the projected income and expense for each month will indicate if the "cash flow in" is sufficient to meet "cash flow out." If problems are evident, decisions should be made to speed up the income flow or hold back on expenditures until cash is projected to be available.

PART THREE — FIVE-YEAR BUDGET PROJECTIONS

Many schools have discovered that realistic, long-range, financial projections can be developed for secondary schools. They have also discovered that these projections provide a solid foundation for developing future plans for cost control, revenue development, and recruiting. To be meaningful, the projections must be "realistic" and not loaded with "dreams" of increasing revenue, successful recruiting, or expanded programs.

The purpose of this section is to present a model for developing high school financial projections which can result in sound future planning. It also describes some of the methodology involved in preparing these projections.

A MODEL FOR BUDGET PLANNING AND DECISION MAKING

The budget planning and projection model has four fundamental steps. As you review these steps, keep in mind that each step must be taken in sequence. The "decision making" process must be preceded by effective "problem definition" or the end result can be poor decisions and frustrated attempts at long-range planning.

STEP 1

A clear statement of current and potential problems must be developed. Each school should answer the question, "What are the priority problems that must be dealt with if the school is to remain a viable institution?" The following areas require investigation.

a. Revenue (Tuition, congregation support, or fund raising is not keeping pace with the need or the potential.)

b. Costs (Expenditures in some areas are out of line with the needs of the school or with sources of revenue.)

c. Staff (There are too many or too few personnel; or the trend is toward higher salaries.)

d. Organization (The decision making structure is no longer justified or appropriate.)

e. Enrollment Useful enrollment projections can be made based on the number of baptisms, elementary school enrollment, situations in feeder schools, etc.

When the administration has developed a good understanding of problems which are anticipated in the current school year, what about the next five years? The key question is, "What will be the magnitude and the trend of future problems in each of the areas just listed?" A realistic five-year projection can clearly point to potential priority problems. The steps outlined in this model provide a means of developing plans with sufficient lead time so that actions can be taken to avoid or reduce the impact of these projected problems. Most superintendents and principals agree that many of the serious problems currently facing our high schools could have been avoided if they had been anticipated two or three years ago and if proper action had been taken at that time. Most of the serious problems that high schools will face in the next few years can be anticipated and avoided if good projections and planning tools are used now.

The following format is useful for developing the financial projections. (See Part Two of this handbook entitled, "Budgeting", for additional suggestions on how the projection should be prepared.):

Projection Model

	Actual		Budget	Projected				
	1975-76	76-77	77-78	78-79	79-80	80-81	81-82	82-83
Enrollment	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Income (Itemized)	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX
Expenses (Itemized)	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX
Surplus (Deficit)	$ XXX	$(XXX)	$ XXX	$(XXX)	$(XXX)	$(XXX)	$(XXX)	$(XXX)

The items listed below must be considered when making the five-year projection:

1. Assumptions must be made and documented concerning the anticipated rate of inflation.
2. A projection is made for every income and expense item in the Chart of Accounts.
3. Assumptions must be made and documented concerning the rate of increase or decrease in every income and expense item in the Chart of Accounts.
4. The current budget, and two previous years of financial history, are laid out for review and reference so that historical trends can be kept in mind as the projection is developed.
5. Changes in staff, curriculum, and large capital expenditures must be anticipated.

When this data has been gathered, assumptions made, and calculations completed, the projected surplus or (deficit) will present an initial picture of what to anticipate in the future. Most administrators and school boards experience some surprise (or shock) when they first view this projection. In many high schools which have made these projections, there have been serious misconceptions about the real nature of their current and projected priority problems.

STEP 2

When the priority problems (current and potential) are carefully stated and understood, a complete list of alternatives must be developed that have potential for solving or alleviating the impact of these problems. A brainstorming approach may be appropriate in which a group of capable and interested people are asked to participate. Many of the "original" or "pet" solutions will have to be discarded because they fail to deal with the nature, trend, or magnitude of the problems as they are now stated. When $500,000 is needed, original solutions such as bake sales and bazaars no longer seem very appropriate. Many small activities such as these can drain attention and energy from the priority problems.

STEP 3

Decisions should be made (select alternatives from the list developed in STEP 2) which can deal with the nature and magnitude of the current and long-range problems. There is nothing worse than implementing a good solution at the wrong time for the wrong problem. The energy expended in such "solutions" diverts attention from priority problems and gives a false sense of security that "something is being done." Solutions should be sought which make it possible to project a balanced budget in each of the next five years.

STEP 4

Plans must be developed to implement the decisions which were made in STEP 3. These plans should be made in a participative manner, with clear assignments of responsibility and with dates set for each step to be completed.

SUMMARY

This summary will be directed to those who have misgivings about the feasibility of developing long-range projections. In a time of frequent economic fluctuation and radical social changes, how can we project what will happen five years from now? Obviously, the more unstable the environment, the greater our need will be to anticipate changes with sufficient lead time so that we are not caught off guard.

In order to make projections in a changing environment, a "dynamic projection model" is needed. Many high schools have Board policy which states that the five-year projections will be updated annually in August or September, prior to preparing the budget for next year. Each year all of the assumptions made in developing the last projection are updated in light of current circumstances and the events of the past year. This year's "budget" becomes "actual" one year later. Using this additional year of experience and an updated set of assumptions, the projection is recalculated.

This dynamic projection model provides the Board and administration with an annually updated picture of the future and provides a structure within which effective planning can be done.

APPENDIX A

CHART OF ACCOUNTS

NUMBERS AND TITLES

Appendix A includes Chart of Accounts titles and numbers. It is structured so that the basic system of numbering can be easily identified. This basic structure will be helpful to the user who finds it necessary to add or delete accounts as the system is adopted to the local situation.

Appendix A can be most easily understood and used if Appendix B is studied simultaneously. This second appendix contains a description of what should or should not be recorded in each account. As the Chart of Accounts is used by a high school, the account descriptions should always be updated to reflect current use.

	Account Title	Account Number
	INCOME ACCOUNTS	
010	Income from Students	01000
	01 Tuition	01100
	02 Fees	01200
	01 Registration Fee	01201
	02 Textbook Rental	01202
020	Income Reductions	02000
	01 Family Discounts	02100
	02 Uncollectable Tuition	02200
	03 Student Aid Grants	02300
030	Income from Congregations	03000
	01 Congregation Support	03100
040	Development Income	04000
	01 Undesignated Gifts	04100
	01 Memorials	04101
	02 Bequests	04102
	03	04103
	02 Designated Gifts	04200
	01 Scholarship Grants Received	04201
	02 Debt Service Receipts	04202
	03 Project Grants	04203
	04 Athletic Dept.	04204
	05 Music Dept.	04205
	06	04206
050	Clearing Account Receipts	05000
	01 Food Service	05100
	02 Bookstore	05200
	03 Graduation	05300
	04 Printing Shop	05400
	05 Student Transportation	05500
060	Miscellaneous Income	06000
	01 Rental Income	06100
	02 Interest Income	06200
	03 Commissions Income	06300
	04	06400
070	Government Income	07000
	01 Subsidy from Governmental Units	07100

	Account Title	Account Number
	EXPENSE ACCOUNTS	
100	Administration	10000
	01 Salaries	10100
	01 Administrators' Salaries	10101
	02 Secretarial/Clerical Salaries	10102
	03 Business Manager/Bookkeeper Salaries	10103
	02 Office Supplies and Materials	10200
	03 Contracted Services/Rentals	10300
	04 Data Processing	10400
	05 Travel	10500
	06 Printing	10600
	07 Postage	10700
	09 Dues and Memberships	10900
	10 Public Relations and Promotion	11000
200	Instruction	20000
	01 Salaries	20100
	01 Instructional Full-time Salaries	20101
	02 Instructional Part-time Salaries	20102
	03 Substitute Salaries	20103
	04 Teachers' Aides	20104
	10 Increments	20110
	20 Instructional Departments	22000
	21 Art	22100
	23 Athletics	22300
	Income	
	01 Ticket Sales	22301
	02 Student Passes	22302
	03	22303
	Expenses	
	50 Expenditure of Designated Gifts	22350
	51	22351
	25 Audio/Visual	22500
	27 Business	22700
	29 Drama	22900
	Income	
	01	22901
	02	22902
	Expenses	
	50	22950
	51	22951
	31 Foreign Language	23100
	33 Guidance	23300

200	Instruction (continued)	
	35 Home Economics	23500
	37 Industrial Arts	23700
	39 Language Arts	23900
	41 Library	24100
	43 Math	24300
	45 Music	24500
	Income	
	01	24501
	02	24502
	Expenses	
	50	24550
	51	24551
	47 Physical Ed	24700
	49 Religion	24900
	51 Science	25100
	53 Social Studies	25300
	70 Other Instructional Expenses	27000
	10 Classroom Supplies	27010
	20 Faculty Travel, Conventions, Inservice Training	27020
	30 Textbooks	27030
	40 Duplicating and Printing	27040
	50 Staff Relocation Expenses	27050
	60 Instructional Data Processing	27060
300	Fixed Charges	30000
	10 Employee Retirement	31000
	20 Employee Insurance	32000
	30 FICA - Employer's Contribution	33000
	40 Insurance - Other	34000
	01 Auto Insurance	34001
	02 Fire and Casualty	34002
	03 Student Insurance	34003
	50 Rental of Land and Buildings	35000
	60 Property Tax and Assessments	36000
400	Plant Operations	40000
	01 Salaries	40100
	01 Custodial and Maint. Salaries	40101
	02 Student Salaries	40102
	02 Contracted Custodial Services	40200
	03 Contracted Services	40300

400	Plant Operations (continued)	
	04 Utilities	40400
	01 Heat	40401
	02 Water	40402
	03 Electricity	40403
	04 Telephone	40404
	05 Supplies, Custodial and Maint.	40500
	06 Repairs and Maint.	40600
	01 Eqpt. Repair and Maint. (Non-Instructional)	40601
	02 Building Repair and Maint.	40602
	03 Site Repair and Maint.	40603
	07 Vehicles - Repair and Maint.	40700
500	Capital Outlays	50000
	01 Sites	50100
	02 Buildings	50200
	03 Equipment (Non-Instructional)	50300
	04 Equipment (Instructional)	50400
	05 Vehicles	50500
600	Debt Service	60000
	01 Principal Payments	60100
	01	60101
	02	60102
	02 Interest Payments	60200
650	Contingency	65000
	01	65100
	02	65200
700	Clearing Accounts	70000
	01 Food Service	70100
	Income	
	01 Milk Sale Income	70101
	02 Food Sale Income	70102
	03 Subsidy - Gov. Milk	70103
	04 Subsidy - Gov. Lunch	70104
	05 Cafeteria - Special Functions	70105
	Expense	
	50 Food Purchases	70150
	51 Milk Purchases	70151
	52 Non-Food Supplies	70152
	53 Repair and Maintenance	70153
	54 Capital Purchases	70154
	55 Salaries	70155

700	Clearing Accounts (continued)	
	02 Bookstore	70200
	Income	
	01	70201
	02	70202
	Expense	
	50	70250
	51	70251
	03 Graduation	70300
	01 Income	70301
	50 Expense	70350
	04 Print Shop	70400
	01 Income	70401
	50 Expense	70450
	05 Student Transportation	70500
	01 Income	70501
	50 Expense	70550
800	Student Activity Accounts	80000
	01 Yearbook	80100
	01 Income	80101
	50 Expenses	80150
	02 Class of 1979	80200
	01 Income	80201
	50 Expenses	80250
	03 Newspaper	80300
	04	80400

	Account Title	Account Number
	BALANCE SHEET ACCOUNTS	
900	Balance Sheet	
	Assets	
	01 Cash in Bank	90100
	02 Petty Cash	90200
	03 Investments	90300
	04 Accounts Receivable	90400
	01 Accounts Receivable - Students, Current Yr.	90401
	02 Accounts Receivable - Parishes, Current Yr.	90402
	03 Accounts Receivable - Students, Prior Yrs.	90403
	04 Accounts Receivable - Parishes, Prior Yrs.	90404
	07 Inventories	90700
	01 Bookstore	90701
	02 Food Service	90702
	08 Prepaid Expenses	90800
	Liabilities	
	50 Accounts Payable	95000
	51 Payroll Payables	95100
	01 FICA Payable	95101
	02 Federal Tax Deductions Payable	95102
	03 State Tax Deductions Payable	95103
	04 Accident Insurance Deductions Payable	95104
	05 Welfare Deductions Payable	95105
	52 Receipts for Transmittal	95200
	53 Advance Tuition	95300
	54 Notes Payable	95400
	55 Student Activity Funds Balance	95500
	56 Accrued Liabilities	95600
	01 Wages	95601
	57 Designated Reserve Funds	95700
	01	95701
	02	95702
	Equity	
	70 Operating Surplus - Prior Years	97000
	71 Operating Surplus - Current Year	97100

APPENDIX B

CHART OF ACCOUNTS

DESCRIPTIONS

INCOME ACCOUNTS

Income from Students

01100 Tuition - Record monies received or to be received from students or their parents. Record the full tuition due from each student during this accounting period, before any discounts are given.

01200 Fees - Included are the registration fees and book rental fees. It may be desirable to create separate account numbers for other fees if collected separately. Do not include fees charged for athletic passes, graduation fees, or textbook purchases which will be handled in Clearing Accounts (700 Series).

Income Reductions

02100 Family Discount - Record the amount of tuition discount granted for 2nd, 3rd, and 4th children.

02200 Uncollectable Tuition - This includes that part of Accounts Receivable that is estimated, based on past experience, to be uncollectable. This is usually an annual entry. This account is used only for the portion of Accounts Receivable which is felt to be uncollectable and is removed from Accounts Receivable and recorded here.

02300 Student Aid Grants - Include discounts given to students of faculty members and charity tuition discounts. Include scholarships and all other situations where tuition, or a portion of it, will not be received from the student or any other source.

Income from Congregations

03100 Congregation Support - Record the full amount of support to be received during the accounting period. Include all amounts received from parishes for the operating budget, scholarships, capital improvements, etc. Subaccounts can be established for each of these, if necessary.

Development Income

04100 Undesignated Gifts
01 Memorials
02 Bequests
03

Record all gifts received by the school where the donor did not specify where it is to be spent. Additional accounts which specify other sources of gifts can be created. Record non-cash gifts only when the gift can and will someday be sold and converted to cash. Until converted to cash, it is carried as an Asset in the Balance Sheet.

04200 Designated Gifts
01 Scholarship Grants Received
02 Debt Service Receipts
03 Project Grants
04 Athletic Department
05 Music Department

Record all gifts received when the donor specifies where the gift is to be utilized. Additional accounts can be established when necessary, identifying the area in which the gift is to be used.

Project Grants - Record project money received from AAL, women's guild, men's club and other similar sources when the project has been specified.

Instructional departments (Athletics, Music, Library) may also receive designated gifts from booster clubs or individual patrons. Establish separate accounts for gifts to instructional departments.

Clearing Account Receipts

05100 Food Services Clearing Account
05200 Bookstore Clearing Account
05300 Graduation Clearing Account
05400 Printing Shop
05500 Student Transportation

At the end of each reporting period, the "net" balance in each Clearing Account is recorded here. Clearing Accounts are in the 700 Series.

Miscellaneous Income

06100 Rental Income - Record all monies received for the use of any part of the building or property.

06200 Interest Income - Interest earned on short or long term instruments.

06300 Commissions Income - Includes income from vending machines, pay telephones,etc.

Government Income

This category should be used only if funds are received from governmental units.

EXPENSE ACCOUNTS

Administration

10100 Salaries

10101 Adminstrators' Salaries - Include Administrator, Principal, Dean of Students, etc. If these individuals also teach, prorate a portion of their salary to Instruction.

10102 Secretarial and Clerical Salaries - Include all full-time and part-time salaries from any part of the school operation.

10103 Business Manager or Bookkeeper Salaries

10200 Office Supplies and Materials - This includes only office and accounting supplies used for administrative purposes. Prorating between this account and Classroom Supplies (Acct. #27010) is suggested. Prorate invoice on a percentage basis, otherwise too much record keeping is required.

10300 Contracted Services - This includes audit fees, legal fees, consulting fees, etc.

10400 Data Processing - Includes computer accounting fees.

10500 Travel - This includes only administrative travel. It does not include travel for instruction, athletics, vehicle maintenance costs or rental of busses for student events. Includes meals and lodging.

10600 Printing - This includes letterhead, school newsletter, and administrative printing. Instructional printing costs are not included.

10700 Postage - This includes all postage, unless it is specifically budgeted elsewhere.

10900 Dues and Memberships - This includes all membership fees, subscriptions, registrations, etc., related to administration or to the school in general. Items related to instructional departments are charged to that department.

11000 Public Relations and Promotion - Include the cost of faculty dinners or entertainment costs for parent groups. Include all expenses which can be attributed to a specific P.R. program. This would also include expenses incurred for Board of Directors meetings.

Instruction

20100 Salaries

20101 Instructional Full-Time Salaries - Twenty hours per week or more.

20101 Instructional Part-Time Salaries - Less than twenty hours per week.

20103 Substitute Salaries

20104 Teacher Aides

The above accounts are self-explanatory. Some of them can be combined if the detailed breakdown is not needed.

20110 Increments - Include all of the increments paid for coaching and other instructional assignments. This does not include increments for bookstore, food service, etc. These are charged to Clearing Accounts.

22000 Instructional Departments - Each instructional department should prepare a budget. Recording of expenses during the year should correlate with the budgets and the Chart of Accounts. Departmental budgets should include an itemization of: repair of equipment, purchase of equipment, and miscellaneous instructional expenses. They should not include Instructional Data Processing, Classroom Supplies, Faculty Travel/Conventions/Inservice Training, Textbooks, or Duplicating/Printing. These items are in separate instructional accounts. The cost of items for resale to students should be included only if the department budget is also credited for the income received from students.

If detailed cost accounting is desired, separate accounts can be established for specific items under each department. This amount of detail is not recommended in small high schools.

School budgets and financial statements will report only the "net" budget for Athletics, Drama, Music, and other departments which generate income.

22300 Athletics

Income - Athletic Receipts should include all income from ticket sales, student passes, and that portion of the student activity fee specifically designated for athletics. Separate accounts can be established for the various sources of revenue. Donations from booster clubs or designated gifts for athletic equipment should be recorded as income under Acct. #04204, Designated Gifts-Athletics.

Expenses - Athletic expenses should include special rental fees for athletic facilities, referees, team travel, awards, equipment purchases, equipment repair, etc. Expenses can include salary increments for coaches. However, these are usually included with instructional salaries for ease of bookkeeping.

22350 Expenditure of Designated Gifts - Items budgeted in this category would be purchased only if the designated gift is received. (This same principle also applies to any other instructional department that generates income).

The athletic department usually requires a subsidy from the school, as most other instructional departments do. However, a successful year at the box office can result in a net profit. This can be a valid source of income for the school.

A detailed budget of income and expense should be prepared by this department.

22500 Audio/Visual

22700 Business

22900 Drama

Income - Drama receipts should include all income received from programs sponsored by the department, including ticket sales, sale of programs and advertisements, and freewill offerings.

Expenses - Drama expenses should include royalties, facility rental. costume rentals, etc.

The department should prepare an annual budget. Budgets should also be prepared for each event, approved, and the group should be expected to follow it. Successful drama presentations can result in a net profit to the school.

23100 Foreign Language

23300 Guidance

23500 Home Economics

23700 Industrial Arts

23900 Language Arts

24100 Library

24300 Math

24500 Music

Income - Music receipts should include income from ticket sales, record sales, special fees, freewill offerings, etc.

Expenses - Music expenses should include rental fees for outside facilities, travel for groups, sheet music, equipment purchases, equipment rentals, and repairs, etc.

The music department may require funding or it can generate a net profit for the school, which is a valid source of school revenue.

24700 Physical Education

24900 Religion

25100 Science

25300 Social Studies

27000 Other Instructional Expenses

27010 Classroom Supplies - This includes paper, pencils, and other consumables which are not for resale to students. Also includes small equipment such as staplers, hole punch, etc. Proration between Administration costs and Instruction costs is recommended for ease of bookkeeping.

27020 Faculty Travel, Conventions, Inservice - This includes all travel costs, registrations, inservice program costs (speakers, etc.).

27030 Textbooks - This includes expenditures for textbooks purchased by the school and paid for by tuition and fees. Books which are purchased for resale to students should be processed through the bookstore accounts.

27040 Duplicating and Printing - This includes photocopy costs and printing.

27050 Staff Relocation Expenses - This includes all costs of moving called personnel.

27060 Instructional Data Processing - This includes class schedules and report cards.

Fixed Charges

31000 Employee Retirement

32000 Employee Insurance

33000 FICA - Employer's Contribution

Record only the employer's share of expenses in each of the above accounts.

34000 Insurance - Other - Include all insurance such as auto, fire, workmen's comp., liability, student insurance, etc.

35000 Rental of Land and Buildings - Include rental of all facilities that are used for instructional, storage, or maintenance purposes. This does not include rental of a facility when the use is solely for an athletic event, drama production, or other activity which should be charged to an instructional department or a clearing account.

36000 Property Tax and Assessments - Include municipal assessments for sewer, curb and gutter, sidewalk, etc.

Plant Operations

40100 Salaries

40101 Custodial and Maintenance Salaries - Include full-time and part-time salaries.

40102 Student Salaries - This includes student custodial and maintenance work which is paid directly by a salary or where tuition reduction is given. When tuition reduction is given, the balance sheet account "Tuition Receivable" should be debited.

40200 Contracted Custodial Services - This category is used when a firm is hired to do custodial work in lieu of hiring full-time employees.

Plant Operations (continued)

40300 Contracted Services - Includes labor and expenses for repair and maintenance of non-instructional equipment by personnel (electricians, plumbers, carpenters, etc.) who are not on the school's payroll.

40400 Utilities - Include all utilities for the school: Electricity, heat, water, and telephone.

40500 Supplies - Custodial and Maintenance - Paper supplies, cleaning supplies, light bulbs, small tools, etc.

40600 Repair and Maintenance (Non-Instructional) - This includes supplies and parts needed for repair of building and equipment done by your own maintenance staff. It does not include replacement or addition of equipment.

40700 Vehicle Maintenance and Expense - This does not include replacement or additional vehicles. It includes expenses for tractors, cars, vans, busses, etc., owned by the school. It includes gas, oil, repair, vehicle leasing costs, etc. It would not include contracts with a bus firm for daily transportation of students.

Capital Outlays

50100 Sites - This includes landscaping, new parking lots, resurfacing of existing lots, new roads, etc.

50200 Buildings - This includes new buildings, such as new wings to the school, garages, work sheds, etc. It also includes new roofs or major roof repair, new windows, lockers, stage curtains, bleachers, etc. Items are included which become part of the physical structure.

50300 Equipment (Non-Instructional) - Include only items which are not part of or attached to the building structure such as fans, cleaning machines, etc. Subaccounts can be established for Replacement and New.

50400 Equipment (Instructional) - This includes portable chalkboards, desks, chairs, cabinets, and other furniture. It includes only moveable items. Subaccounts can be established for Replacement or New. It does not include classroom hardware that would be included in departmental accounts.

50500 Vehicles - This includes cars, busses, tractors, and other large vehicles purchased or replaced by the school. Subaccounts can be established for Replacement and New.

Debt Service

60100 Principal Payments - Payments on short-term and long-term notes to individuals or to private lending institutions.

60200 Interest Expense

Contingency

65000 All departments are encouraged to prepare accurate expenditure estimates and to avoid "padding" their budget. However, emergencies may occur or unanticipated expenditures may be necessary and advisable.

In order to avoid padded budgets, but provide for contingencies, some funds should be budgeted in this area. These funds would not be spent unless a valid need existed. All expenditures would have to be approved by the school administrator.

Clearing Accounts

70000 Other Accounts may be included such as: Grade School Basketball Clinics, Student Transportation, Print Shop, Field Trips, Summer School, Evening Programs, etc. Instructional departments such as Athletics, Drama and Music which also generate income are not included here, but are under Instruction.

Include all accounts where the net difference of receipts and expenditures is the property of the school and where profits from the activity can be used for school operations. This is in contrast to Student Activities Accounts (800 Series) where the fund balance is not the property of the school.

70101 Food Service - Income - Record all income, including government subsidy. All Food Service expenses are recorded under the 70150 Account Number. If government subsidy is received, all revenue and expenses should be recorded according to regulations.

70150 Food Service - Expense - Include cost of food, supplies, equipment, full-time and part-time personnel, fringe benefit costs, etc. It may also be appropriate to charge for use of the building.

70201 Bookstore - Income - Record all bookstore income. Careful accounting should be done to insure that all expenses and related income be recorded under the 70200 Account Numbers. The bookstore can be used for sales of items such as sweatshirts, records, paper, pencils, etc. It is desirable to use the bookstore for these numerous miscellaneous items so that other income accounts do not become cluttered. Sale of materials for the Woodshop, Metalshop, and other instructional departments can be accounted through the bookstore.

70250 Bookstore - Expense - Record the cost of all items that are sold. Student salaries or part-time salaries should also be included. Includes shipping costs, wrapping materials, etc.

Student Activity Accounts

80000 Include all accounts where the net difference between receipts and expenses for student activities is not the property of the school, but remains the property of a club or group.

Agency Accounts are established for: student council, student clubs, Class of 1979, etc.

The "net" of each of these accounts is shown in the Balance Sheet under Liabilities.

Instructions for Ordering Resources for

PLANNING FOR LUTHERAN HIGH SCHOOLS

Order materials from either of the following Synodical Education Offices:

Board of Parish Education
The Wisconsin Evangelical Lutheran Synod
3614 West North Avenue
Milwaukee, WI 53208

Board of Parish Education
The Lutheran Church-Missouri Synod
3558 So. Jefferson Avenue
St. Louis, MO 63118

Prices are as quoted plus postage. Make checks payable to: Board of Parish Education. Several documents refer to helpful supplementary materials which were not designed specifically for this project. They are not listed below but may also be ordered from the respective synodical office.

H01 GUIDELINES FOR GETTING STARTED 75

The seven beginning steps of the Exploration Phase (I) with resources.

H02 PLANNING CHART 25

Master outline of basic committee activities and materials for all six Phases.

H03 STEERING COMMITTEE HANDBOOK 75

Guidelines for the Survey Phase (II) and the Planning Phase (III).

H04 BOARD OF DIRECTORS HANDBOOK 50

Guidelines for the Implementation Phase (IV) and the Operating Phases (V, VI).

H05 "THANKS, WE NEED THAT" - SLIDE/SOUND PRESENTATION $35.00

18 minute visual/oral two slide projectors/cassette player presentation of the values of Lutheran secondary education: 210 color slides, cassette recording, printed script, discussion suggestions, and options for adding local slides and accompanying script.

H06 RESOURCES FOR ORGANIZATION PLANNING 75

Constitution, bylaws, administrator's job description, and policy guidelines

H07 "THANKS, WE NEEDED THAT" - BROCHURES . . . . . $1.50 per 100

Series of 3 promotional brochures for mailings, bulletin inserts, and meetings.

H07A "Young People Say - Thanks, We Needed That"

H07B "Parents Say - Thanks, We Needed That"

H07C "The Community Says - Thanks, We Needed That"

H08 RESOURCES FOR ENROLLMENT PLANNING 75

Strategies for recruitment, enrollment projections, and transportation.

H09 RESOURCES FOR FINANCIAL PLANNING 75

Funding the feasibility study phases, the first year, and continuing years.

H10 MAINTAINING FISCAL RESPONSIBILITY $1.25

Suggestions and forms for accounting, budgeting, and five-year projections.

H11 RESOURCES FOR SITE AND FACILITY SELECTION 50

H12 RESOURCES FOR INSTRUCTION PLANNING 50

Curriculum development, staffing, and compensation guidelines.

The most effective agencies available to the Church for equipping God's people for ministry are the Lutheran elementary and secondary schools.